

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARDIN COUNTY WATER)	
DISTRICT #2 FOR A DEVIATION FROM THE)	CASE NO.
REQUIREMENTS OF 807 KAR 5:066, SECTION)	89-248
12(4), REGARDING WATER LINE EXTENSIONS)	

O R D E R

IT IS ORDERED that Hardin County Water District #2 ("Hardin County") shall file the original and seven copies of the following information with the Commission with a copy to all parties of record no later than October 25, 1989. If the information cannot be provided by this date, a motion for an extension of time should be submitted stating the reasons for the delay and the date by which the information can be furnished. Such motion will be considered by the Commission. Hardin County shall furnish with each response the name of the witness who will be available for responding to questions concerning each item of information should a public hearing be required in this matter.

1. Provide clarification of the following items included in "Method No. 2":

(a) Does the total project cost include meter connection fees?

(b) "Payback" to the developer is proposed to be 75 percent of the meter connection fee. Clarify whether the "payback" is for any customer connecting to the line including

original customers or only for customers connected after initial construction and operation.

(c) According to the payback method proposed, a developer who paid for a line extension will be paid 75 percent of a 5/8" x 3/4" meter connection fee for each customer connected. Meter connection fees are designed to enable a utility to recover the costs for the actual installation. If Hardin County refunds part of this fee, explain how the cost of the meter connection is going to be recovered. In addition, it appears possible that Hardin County could provide a "payback" above 100 percent (75 percent + 37.5 percent, 75 percent + 37.5 percent + 37.5 percent, etc.) should extensions to extensions be made. Explain how the payback above 100 percent is going to be funded.

(d) On Sheet No. 5, the tariff states that the 15 year refund period shall begin to run when a developer submits final payment of the project to the district. Payment of total costs is required to be made upon acceptance of Hardin County's proposal or a contractor's low bid. However, Section 17 of the form Memorandum of Agreement implies that the refund period will begin to run from the date of final installation of the extension. Clarify this apparent inconsistency.

(e) On Sheet No. 5, the tariff states that the district will pay "Divider A" a payback of 75 percent of meters from his extension and 37.5 percent payback from extensions extended from his extension. However, Section 14 of the form Memorandum of Agreement provides that Hardin County will reimburse "Divider A" one half of 75 percent of the costs of the connection fee until

"Divider A" is paid in full, with subsequent dividers getting the other one half of the 75 percent payback. Explain this apparent inconsistency.

2. Provide clarification of the following items included in "Method No. 3."

(a) It is proposed that customers will advance their water meter installation fees, to be kept on file until funds and a sufficient supply of water is available. If an adequate supply of funds is not available within a specific period of time, will this money be returned to the prospective customers? Will this money be deposited in an interest-bearing account and, if so, will any interest earned be returned to the customers?

(b) Section (2) provides that the individual or group applicant must obtain all right-of-way easements. This provision is contrary to the Commission's ruling in other cases which specifically state that customers are not responsible for obtaining easements and which direct the utility to obtain same. Explain why the Commission should change its position in this instance.

(c) It is proposed that between 10 and 15 customers per mile be required for new water line extensions. Explain why a range of customers is proposed instead of one set number of customers per mile.

(d) Clarify how Section (3) under Method No. 3 relates to Section (5). Specifically, will Hardin County pay the total cost of the project if the 10-15 customer requirement is met? Would Section (5) apply when the customer requirement is not met?

Section (5) states that a "payback" will be made on meter fees collected. State the payback method that is proposed and how it is to function.

(e) Section 7 appears to condone what used to be classified as "dry taps," where a customer or group of customers agree to take extra meters and pay a minimum bill each month. Staff is concerned that this method could lend itself to potential abuse and fraudulent projects. Explain Hardin County's reasons for proposing this option.

3. Explain the rationale behind linking refunds to the cost of meter connection fees rather than to the cost of 50 feet of line per customer as provided in the extension policy adopted by Commission regulation.

4. Explain how the proposed extension policy is more equitable than the one adopted by Commission regulation.

Done at Frankfort, Kentucky this 18th day of October, 1989.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director